



"People
helping people
help
themselves"

Mitchell E. Daniels, Jr., Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Award Recommendation Letter

Date: March 8, 2012

To: Nicole Kenney, Deputy Commissioner, Indiana Department of Administration

From: Michael Gargano, Secretary, Indiana Family and Social Services Administration
Pat Casanova, Director, Office of Medicaid Policy and Planning
Molly Martin, Senior Account Manager, Indiana Department of Administration

Subject: Recommendation for Selection for RFP 12-36
Pharmacy Benefit Management (PBM) Services

Estimated Amount of Contract(s): \$31,976,919

Based on the evaluation of our team, we recommend for selection **SXC Health Solutions, Inc. (SXC)** to begin contract negotiations to serve as the Pharmacy Benefit Management (PBM) Contractor. Terms of this recommendation are included in this letter.

Of the annual contract value, SXC is committed to subcontract 7.62% to Bucher & Christian Consulting dba BCForward (a certified Minority Business), and 23.48% to Critical Skills Inc. (a certified Women's Business). Terms of the State's recommendation are included in this letter.

The evaluation team received proposals from the following four (4) vendors for RFP 12-36:

- ACS State Healthcare, LLC
- Goold Health Systems
- PerformRx
- SXC Health Solutions, Inc.

The proposals were evaluated by a four (4) member team and IDOA according to the following criteria established in the RFP:

- Adherence to Mandatory Requirements (Pass/Fail)
- Management Assessment/Quality (40 points)
- Cost Proposal (15 points)
- Buy Indiana (10 points)
- Indiana Economic Impact (15 points)
- Minority Business Participation (10 points)

- Women-Owned Business Participation (10 points)

The proposals were evaluated according to the process outlined in the "Evaluation Criteria" section of the RFP.

A. Adherence to Mandatory Requirements

The proposals were reviewed for adherence to mandatory requirements and were deemed responsive.

All four (4) Respondents were deemed responsive according to mandatory requirements and were then evaluated based on their Business Proposals, Technical Proposals, and Cost Proposals.

B. Management Assessment/Quality

For the Business Proposal evaluation, the team considered each Respondent and subcontractors' background and proven experience and references, as well as financial viability. These areas were reviewed to assess each Respondent's ability to serve the State and provide the requisite expertise. Wherever necessary, clarification questions were issued to Respondents to enable the evaluation team to better understand certain aspects of Respondents' proposals.

For the Technical Proposal evaluation, the team considered each Respondent's proposed approach and quality of response to the Foundational and Functional requirements listed in the RFP, as well as core functions including service desk, Rx prior authorization, claims processing, rebate management, boards/committee support, utilization review, audit, rate setting, and future services/innovations. The team also evaluated each Respondent's staffing and overall ability to meet the needs of the State successfully.

Results of the Management Assessment/Quality evaluation are shown below:

Table 1: Management Assessment/Quality Scores

Respondent	Business Proposal (4 Max)	Technical Proposal (36 Max)	Total (40 Max)
ACS State Healthcare	2.63	27.75	30.38
Goold Health Systems	2.38	16.75	19.13
PerformRx	2.25	9.25	11.50
SXC Health Solutions	2.44	34.56	37.00

During the Business Proposal and Technical Proposal evaluation, the evaluation team observed the following regarding each Respondent, which supports the evaluation team's ultimate scoring of the Respondents' proposals. This is not intended to be an exhaustive discussion of what the evaluation team considered, but attempts to highlight some of the primary considerations that led to the evaluation team's scores.

ACS State Healthcare, LLC scored 30.38 points out of the possible 40 qualitative points. The evaluation team noted that ACS' delivery model relied on a coalition of multiple companies

delivering specific services, with ACS retaining ultimate responsibility for Project and Account Management. The team noted the strength of the proposed coalition in the Audit and Rate Setting areas, and ACS' overall financial viability was rated highly. However, the team had concerns about the manageability of the number of subcontractors, placing a heavy reliance on the proposed Account Manager. ACS' proposal indicated good capabilities in areas such as claims processing, service desk and rebate management. The team also noted that ACS' proposed future innovations for the Indiana pharmacy program were generally good. However, the team also observed weaknesses in several aspects of the proposal that were cause for concern. Most notable among these were ACS' response to the Pharmacy Program Management requirements (and associated reporting requirements), as well as the overall staffing plan. In the area of staffing specifically, the team had concerns (as mentioned above) about the potentially onerous responsibilities being placed on the Account Manager, absent any project managers or systems managers on the team. It was further noted that it did not appear some proposed staff met minimum qualifications. In sum, ACS presented a good proposal that demonstrated some strengths, but also contained several areas of concern that impacted the team's rating of ACS' overall ability to meet the State's needs.

Goold Health Systems received a score of 19.13 points. The evaluation team felt that the proposal did not demonstrate the company's ability to successfully perform the activities required in the RFP. At the outset, the evaluation team was disappointed that portions of the proposal appeared to have been copied over from a response developed for North Dakota. Looking beyond this flaw in presentation, the team noted that the proposal demonstrated Goold's overall PBM experience though more Medicaid specific information could have been provided. The response to the Foundation Requirements, particularly with regard to Project Management, was also well received. However, in numerous other areas, the proposal lacked key details or presented approaches that were unsuitable for, or unattractive to, the State of Indiana. Examples included the proposed use of SharePoint for the service desk in a manner that did not align with RFP requirements, or proposed programs such as dose splitting under future innovations that the team found unattractive. In sum, the evaluation team did not believe that Goold could meet the needs of the Indiana pharmacy program.

PerformRx received a score of 11.50 points. The evaluation team felt that the proposal did not demonstrate the company's ability to successfully perform the activities required in the RFP. The team noted that the proposal appeared to be a "generic" response rather than one customized to the specific needs and requirements of the State of Indiana. The nature of responses that amounted to statements accepting RFP requirements and offering to work with the State, when paired with the lack of Medicaid specific information, led to significant concerns about the proposal. The team noted that PerformRx missed the mark on several key RFP requirements. For instance, the proposal stated that PerformRx's system, in its current form, could not meet RFP specifications and it was further unclear if it aligned with MITA. Similarly, the proposal mentions a claims processing standard of 4 seconds, which fails to meet RFP requirements of 2 seconds. The team was also concerned with the staffing model which relied on largely out of State staff, including key roles such as the Account Manager. In sum, the evaluation team did not believe that PerformRx could meet the needs of the Indiana pharmacy program.

SXC Health Solutions, Inc. received a score of 37.00 points out of the possible 40 qualitative points. The team found that SXC's proposal presented superior responses to several key areas including Foundation Requirements, Function Requirements, and specific PBM related areas including service desk/PA, claims processing, board(s)/committees and program management. In each of these areas,

the team noted that SXC provided detailed narratives that not only demonstrated the company's ability to deliver the proposed services, but went above and beyond RFP requirements. Examples include a detailed Data Conversion Plan, a strong write-up demonstrating the company's understanding of, and compliance with, reporting requirements around claims processing, and a strong narrative detailing the approach to board(s)/committees management and the role of the Account Manager. The team also had a very favorable rating of SXC's proposed future innovations for the Indiana pharmacy program, and noted that the write-up included a clear transition plan, sample reporting, and draft policies and procedures for areas such as Specialty Pharmacy. The team did note concerns in a few areas. For instance, the proposal referenced unannounced audits, which are currently not practiced in Indiana. Similarly, the rate setting portion of the proposal referenced a 48-hour turnaround time for issue resolution, which the team believed to be too long. These concerns were reflected in scoring for those areas. However, as stated above, the team found SXC's response to be strong and comprehensive in most key areas of the RFP. In summary, the team felt that the proposal clearly demonstrated SXC's superior ability to successfully perform the activities required in the RFP and meet the needs of the State of Indiana.

C. Cost Proposal

The Cost Proposal evaluation methodology was published in the RFP. The Respondent that submitted the lowest overall price bid received the maximum number of possible cost points. Cost scores for the remaining Respondents were allocated proportionally to the Respondent with the lowest overall price bid. For the purposes of the Cost Score, the overall price bid was calculated to be the sum of the price for DDI, and four years (base contract period) of operations and maintenance and modification pool hours, as provided by Respondents in 'Schedule A – Summary' of the Cost Proposal. The formula for calculating Cost Scores is replicated below:

$$\text{Cost Score} = 15 \times \frac{\text{Lowest Overall Cost Proposal Bid}}{\text{Respondent Overall Cost Proposal Bid}}$$

Cost Scores are shown below:

Table 2: Cost Scores

Respondent	Cost Score (15 Max)
ACS State Healthcare	12.90
Goold Health Systems	15.00
PerformRx	6.87
SXC Health Solutions	10.15

D. Short List

The cost scores were then combined with the Management Assessment and Quality Scores to generate the total scores for this step of the evaluation process as described in the RFP. The combined scores out of a maximum possible 55 points are tabulated in Table 3 below.

Table 3: Pre-Short List Scores

Respondent	Management Assessment/ Quality Score (40 max)	Cost Score (15 max)	Total Score (55 max)
ACS State Healthcare	30.38	12.90	43.28
Goold Health Systems	19.13	15.00	34.13
PerformRx	11.50	6.87	18.37
SXC Health Solutions	37.00	10.15	47.15

The evaluation team noted that the results in Table 3 highlighted the significant gap between the group consisting of ACS State Healthcare and SXC Health Solutions and the remaining Respondents on the ability to meet the State's requirements and in overall points scored. The team recommended that ACS State Healthcare and SXC Health Solutions be shortlisted and that the remaining Respondents - Goold Health Systems and PerformRx - be eliminated from consideration at this stage. The short-listed vendors were then asked to provide an oral presentation to the evaluation team. Before the final scores were tabulated, IDOA did a BAFO with both short-listed vendors to ensure both vendors were providing their lowest price to the State. The final cost scores and MAQ scores, after oral presentations, are reflective in Table 4 (below).

E. IDOA Scoring

IDOA scored the short-listed respondents in the following areas – Buy Indiana (10 points), Indiana Economic Impact (15 points), and Minority and Women Business Participation (10 points each) using the criteria outlined in the RFP. When necessary, IDOA clarified certain Buy Indiana, Indiana Economic Impact, and Minority and Women Business Participation information with the respondents. Once the final MWBE and IEI forms were received from the respondent, the total scores out of 102 possible points were tabulated, and are as follows:

Table 4: Final Overall Evaluation Scores

Respondent	Management Assessment/ Quality Score (40 max)	Cost Score (15 max)	Buy Indiana (10 max)	Indiana Economic Impact (15 max)	MBE (10 max + 1 bonus)	WBE (10 max + 1 bonus)	Total Score (100 max + 2 bonus)
ACS State Healthcare	28.88	12.88	10.00	9.66	10.00	10.00	81.42
SXC Health Solutions	37.00	15.00	0.00	15.00	10.00	11.00	88.00

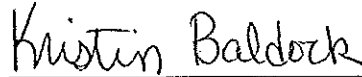
Award Summary

During the course of the evaluation, the State scrutinized each proposal to determine the viability of the proposed business solutions to meet the State's goals for Pharmacy Benefit Management (PBM) services. The team evaluated proposals based on the stipulated criteria outlined in the RFP document.

The State intends to sign two contracts to fulfill the requirements in this RFP.

- a. The term of the first contract shall be limited to the Design, Development and Implementation (DDI) period. Implementation of all PBM services must be completed and be approved by the State by June 30, 2013.
- a. The term of the second contract shall be for an operational period of (4) years from the date of DDI completion. There may be two (2) one year renewals to the second contract for a total of six (6) years at the State's option.


Signed by:



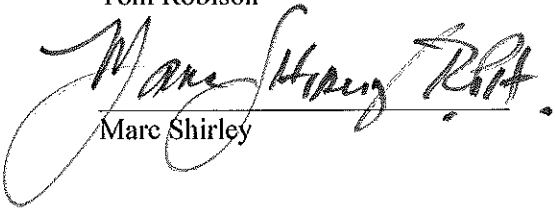
Kristin Baldock



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RFP 12-36 Evaluation Team



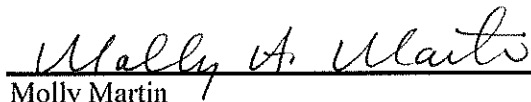
Pat Casanova

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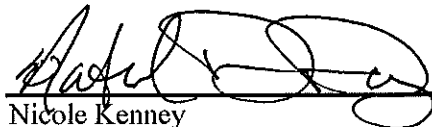
Michael A. Gargano

Secretary, Indiana Family and Social Services Administration



Molly Martin

Senior Account Manager, Indiana Department of Administration

 on behalf of NK

Nicole Kenney

Deputy Commissioner, Indiana Department of Administration